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MANAGEMENT AND INFORMATICS

MASTER THESIS

**"TAX REFORMS IN FUNCTION OF ECONOMIC DEVELOPMENT
CASE STUDY IN KOSOVO"**

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ABSTRACT

Political changes in the Balkan countries were accompanied by a number of major institutional changes closely related to the economy as a new system based on market. One of the most important changes was that of fiscal reform. The dynamics of this reform have been determined by the dynamics of the economy.

Nowadays fiscal systems in the European and Balkan countries have now consolidated and they are one of the main pillars of the functions of these economies. Although very basic, fiscal reforms were carried out in a relatively short period of time. Regardless of their problems and continuous fiscal corrections, systems operate in accordance with the objections and principles of a fiscal system in a market economy. At this point, it should be noted that tax revenues are indeed the main source of budget revenues of the Balkan countries and in our case also in Kosovo.

On the other hand, from these achievements we can today analyze the fiscal systems in the Balkan countries more accurately. The fiscal system in all these countries was, in fact, seen mainly in its most important function (objective): realization of budget revenues. Thus, the establishment of these systems is largely based on the fight against fiscal evasion, aiming at extending tax payers. Beyond this important objective, we think that fiscal systems should be cautious in terms of their efficiency, and as far as efficiency is concerned, it has a wider meaning. At a certain point, it has to do with the recognized economic principle in the "temporal neutrality" of taxation. In the other point, the efficiency of the system can take into account the fact that the fiscal system serves as an instrument to promote and understand in certain cases economic policies. In fact, none of the fiscal system is completely "neutral", because every system has special case exceptions that are intended to stimulate an activity or another.

Today, all Balkan countries have set up a fiscal system similar to that of developed European countries. In fact, these basic systems are the three main types of taxes such as: Personal Income Tax (PIA), Corporate Income Tax (CIT) and Value Added Tax (VAT).

CONTENT

Acknowledgments

Abstract

Content

Aim of the paper

Objectives of the paper

Hypotheses of the paper

Methodology of the paper

Key words

Introduction

CHAPTER ONE

1. Reforms of the tax system from 1999 to this day

1.1 Value Added Tax (VAT)

1.1.1 Change of rate from 15% to 16%

1.2 Customs

1.2.1 Customs and customs system

1.3 Excise

1.4 Presumptive tax

1.5 Property tax

1.6 Personal income tax

1.7 Corporate income tax

CHAPTER TWO

2. Comparison of tax rates of Kosovo and Albania

2.1 Impact of tax reforms on the formation of revenues

2.2 Thoughts of theorists on tax reforms

CHAPTER THREE

3. Tax reforms in the region

3.1 Comparison of tax reforms in Balkan countries and Kosovo

3.2 Changes in the general government sector revenue structure during the transition period in the Balkan states and the Kosovo case

3.3 Tax reforms in Balkan countries and the Kosovo case

CHAPTER FOUR

Business research in reforming the tax sector

Conclusion

Recommendations

ANNEX

Bibliography

CONCLUSION

The purpose of this masterwork is to reflect the impact of reform on the tax system in economic development. Reforms have changed significantly the functioning of the tax system resulting in the improvement of the impact of economic growth. Desirable social expenditures will be translated into increased production and growth on a real-spirit basis to ensure efficiency in the use of tax revenues by the government of various reforms. However, it is desirable that revenues cannot be generated by tax-free review of outdated laws and tax rates without the promotion of fiscal responsibility, efficient administration with a staff without corruption, well trained and motivated to achieve macroeconomic objectives and over of all accountability and transparency by government officials in the management of income tax for the benefit of the citizens of that country.

Every Balkan state has passed from the beginning of the transition process in the 1990s to the present in the process of tax reforms through a different pathway, unlike the other country, by carrying certain specifics. However, the trend of reforms and goals for EU membership were and remain united. In this trend, all Balkan countries applied their tax systems, VAT in different years, corporate income tax, personal income tax.

In the process of reforming tax systems, apart from others, two trends need to be distinguished:

- a. The trend of lowering the tax rates to the main taxes with a special emphasis on corporate income tax and
- b. The aspirations and actions of all Balkan states to join the EU by adopting EU rules. Some of the countries selected in this analysis have managed to be members of the EU, Bulgaria and Romania. Others have still ways to do it.

The system and tax policy built by UNMIK was exclusively for fiscal purpose.

UNMIK created this policy:

- in accordance with the specifics of Kosovo's economic development
- lack of Kosovo's economic development strategy
- lack of political status settlement as well

- lack of realistic recognition of key macroeconomic indicators, whose recognition is (condition sine qua non) for a sustainable fiscal policy.

Given this situation, the tax system and tax policy only had fiscal functions with a high share of indirect taxation on general tax revenues.

For this, the Government of the Republic of Kosovo needs to undertake changes in order to create a competitive taxation system for foreign investments and in order to attract the taxpayers to pass from the informal economy sector to the formal economy sector, namely to pay taxes.